

Memorandum

To: Chairman and Commissioners

Date: November 28, 2005

From: Diane C. Eidam

Ref No: 3.15(a)
ACTION

Ref: 2005 Activity and Accomplishments in the Aeronautics Program

Issue: Should the Commission accept its Technical Advisory Committee on Aeronautics (TACA) report on its 2005 activities and accomplishments for inclusion in the Commission's Annual Report?

Recommendation: Staff recommends that the Commission accept the attached TACA Annual Report on its activities and accomplishment for inclusion in the Commission's Annual Report.

Summary: During 2005, TACA:

- recommended that the Commission approve the 2005 10-year Capital Improvement Plan. The Capital Improvement Plan, prepared biennially by Caltrans, represents the fiscally unconstrained list proposed by eligible airports. The 10-year capital improvement plan is the first step in the process that an airport must take before a project can be considered for state funding. Caltrans will develop a fiscally constrained list of airport development projects and airport compatibility plans for TACA's review and recommendation. The recommended fiscally constrained list will be presented to the Commission for programming in spring 2006.
- reviewed and recommended changes that were accepted by Caltrans to a draft of the policy element of the California Aviation System Plan (CASP). In December 2005, Caltrans is scheduled to brief the Commission on the proposed policy element of the CASP. The Commission will adopt the proposed CASP policy element in early 2006. The proposed policy element is comprised of a comprehensive plan defining state policies and funding priorities for general aviation and commercial airports in California.

The proposed CASP policy element focuses on:

Safety and Security: it recommends strategies for improving safety and security on the airside of the airport and promoting compatible land use and zoning surrounding airports.

Planning: it recommends a proactive and collaborative planning approach to ensure that system improvements are made to meet current and future demand, while ensuring that statewide goals are met. The policy element also includes supporting proposed legislative initiatives and outreach to explain the benefits of aviation.

Accessibility: it proposes strategies to improve ground access by reducing traffic congestion and improve air access to the national air transportation system for small communities.

Economy: it proposes to improve the economy by better managing and preserving the airport infrastructure, as well as expanding airport capacity. The policy element also proposes leveraging available revenues with other revenue to improve the system.

Community Values: it recommends promoting land use decisions that integrate airport use, land use, housing and transportation.

- looked at the need to establish a stable funding source and for additional funding to allow more capital improvements for general aviation.

Acting upon TACA's advice, the Commission supported SB 335 (Maldonado). This bill proposed a set-aside \$15 million annually for five years derived from the sales tax on jet fuel, for airport security, safety and capacity grants as discussed in past Commission Annual Reports. The Senate Transportation Committee passed SB 335. The Senate Appropriations Committee, however, expressed concerns about multiple-year appropriations and held the bill under submission. The Commission in a letter to the author re-iterated its support for a stable aeronautics-funding source. The Commission also suggested that a specified percentage of estimated revenues from sales tax on general aviation jet fuel be dedicated for general aviation capital use rather than a specific dollar amount.

The Commission is also concerned about the impacts from incompatible land use on airports. Acting upon TACA's advice, the Commission supported AB 1358 (Mullin) which requires that a school district or charter school leasing properties or acquiring sites must have the site reviewed by Caltrans Division of Aeronautics. If Caltrans does not support the lease or acquisition, then no state or local funds may be apportioned or expended for the site. The bill was signed by the Governor on September 6, 2005. The bill's passage protects students, promotes comprehensive land use planning, and keeps an airport operating rather than having it close due to surrounding incompatible land uses.

- recommended that the CAAP Acquisition and Development match rate be 10%, which the Commission affirmed at its April 2005 meeting.
- continued to focus on a comprehensive review of the role and responsibilities of the Caltrans Division of Aeronautics and the funding sources for the various state programs related to aviation.

Attachment

2005 ACTIVITY AND ACCOMPLISHMENTS

Aeronautics Program

The 10-year Capital Improvement Plan (CIP) is a fiscally unconstrained list of projects from eligible general aviation and public-use airports. From the CIP, the Aeronautics Program a biennial three-year program of projects is derived. The Aeronautics Program is fiscally constrained and funded from the Aeronautics Account, which receives revenues from state general aviation fuel excise taxes. The projects in the Aeronautics Program provide a part of the local match required to receive federal Airport Improvement Program (AIP) grants and fund capital outlay projects at small public-use and general aviation airports through the Acquisition and Development (A&D) element of the California Aid to Airports Program (CAAP). The CAAP also includes a statutory annual grant program, which provides annual nondiscretionary grants of \$10,000 for each small public-use and general aviation airport in the state. Aeronautics Account funds are applied to Caltrans aeronautics operations and the annual grant program before the funds are available for the Aeronautics Program adopted by the Commission.

In September 2005, the Commission adopted the Capital Improvement Plan (CIP) that is a fiscally unconstrained list of 1,542 projects totaling an estimated \$2.58 billion. A project must be included in the CIP before it can be considered for inclusion in the three-year Aeronautics Program. The 2006 Aeronautics Program will be developed by Caltrans from the CIP and presented next spring to the Commission for adoption. In the current 2004 Aeronautics Program, the Commission continued severe curtailing of allocations and restricted allocations to projects for federal AIP local match participation and A&D safety projects, due to recent transfers from the Aeronautics Account to the General Fund. Fifteen non-safety A&D projects totaling \$2.8 million remain unfunded.

In December 2005, the Commission received from Caltrans a draft 2005 California Aviation System Plan (CASP) policy element. The policy element lays out the State's policies and funding priorities for general aviation and public-use commercial airports in California Aeronautics Program. The proposed update is intended to provide focus on goals for safety and security, planning, accessibility, economy and community values.

During the year, the Commission received advice from its Technical Advisory Committee on Aeronautics regarding the CIP, CASP and matching ratios. The Commission also received advice on pending legislation; it supported bills to increase funding for general aviation capital projects and changes in airport and land use compatibility law regarding schools near airports.

Commission's Aviation Responsibilities

The Commission's primary responsibilities regarding aeronautics include:

- advising and assisting the Legislature and the Secretary of the Business, Transportation and Housing (BT&H) Agency in formulating and evaluating policies and plans for aeronautics programs;
- adopting the California Aviation System Plan (CASP); a comprehensive plan defining state policies and funding priorities for general aviation and commercial airports in California; and
- adopting and allocating funds under the biennial three-year Aeronautics Program, which directs the use of Aeronautics Account funds to:
 - provide a part of the local match required to receive Federal AIP grants; and

- fund A&D capital outlay projects for airport rehabilitation, safety, security and capacity improvements at public-use airports.

Technical Advisory Committee on Aeronautics (TACA)

Section 14506.5 of the California Government Code states that the chairman of the California Transportation Commission shall appoint a Technical Advisory Committee on Aeronautics (TACA), after consultation with members of the aviation industry, airport operators, pilots, and other aviation interest groups and experts, as appropriate. TACA gives technical advice to the Commission on the full range of aviation issues to be considered by the Commission. The current membership of TACA includes representatives from airport businesses, aviation divisions of large companies, air cargo companies, pilots and aircraft owners, aeronautics associations, managers of commercial and rural airports, managers of operations at major commercial airports, metropolitan and local planning organizations, and federal and state aviation agencies.

This statutorily mandated advisory committee lends its expertise to the Commission as it carries out its responsibility in advising the Secretary of the BT&H Agency and the Legislature on state policies and plans for transportation programs in California. During 2005, TACA has continued to focus on a comprehensive review of the role and responsibilities of the Division of Aeronautics of the Department of Transportation (Caltrans) and the funding sources for the various state programs related to aviation. TACA has been working with Caltrans, the BT&H Agency and the Legislature to develop potential stable revenue sources and clarify roles and policies for the state in developing and maintaining California's aviation system with the current land use development.

The members of the Technical Advisory Committee on Aeronautics are:

- Hardy Acree, Director, Sacramento County Airport System
- Daniel Burkhardt, TACA Chairman, Director of Regional Programs, National Business Aviation Association
- Joe Chan, Commissioner, Alameda County Airport Land Use Commission
- Jack Kemmerly, Director of California Operations, Exceptional Strategies, Inc.
- Chris Kunze, Manager, Long Beach Municipal Airport
- Harry A. Krug, Association of California Airports, Airport Manager, Colusa County Airport
- Mark F. Mispagel, Attorney/Consultant, Law Offices of Mark F. Mispagel
- John Pfeifer, TACA Vice Chairman, Aircraft Owners and Pilots Association (AOPA), California Regional Representative
- Alan Thompson, Senior Planner, Southern California Association of Governments
- Alexander Waters, Vice President of Business Development, KaiserAir, Inc.
- William T. Weil, Jr., Manager, California City Municipal Airport.
- Austin Wiswell, Ex Officio, Chief, Division of Aeronautics, California Department of Transportation (retired November 2005)
- James Ghielmetti, California Transportation Commission, Commission liaison
- Vacant, Ex Officio, Federal Aviation Administration

2005 Capital Improvement Program

In September, the Commission approved the 2005 10-year Capital Improvement Plan. The Plan, prepared biennially by Caltrans, represents the fiscally unconstrained list proposed by eligible airports. The 10-year capital improvement plan is the first step in the process that an airport must take in order to have a project considered for state funding. Caltrans, using a methodology and priority-setting matrix approved in 2004 by the Commission, will develop fiscally constrained list

of airport development projects and airport compatibility plans for the Commission to consider for programming in spring 2006. Caltrans will use the Commission-adopted methodology to list projects in priority order: safety, capacity and security enhancements. Plans are considered separately.

California Aviation System Plan – Policy Element

The Commission, as part of its responsibilities, adopts the California Aviation System Plan (CASP). In December 2005, Caltrans briefed the Commission on the proposed policy element of the CASP. The Commission will adopt the proposed CASP policy element in early 2006. The proposed policy element is comprised of a comprehensive plan defining state policies and funding priorities for general aviation and commercial airports in California.

The proposed CASP policy element focuses on:

Safety and Security: it recommends strategies for improving safety and security on the airside of the airport and promoting compatible land use and zoning surrounding airports.

Planning: it recommends a proactive and collaborative planning approach to ensure that system improvements are made to meet current and future demand, while ensuring that statewide goals are met. The policy element also includes supporting proposed legislative initiatives and outreach to explain the benefits of aviation.

Accessibility: it proposes strategies to improve ground access by reducing traffic congestion and improve air access to the national air transportation system for small communities.

Economy: it proposes to improve the economy by better managing and preserving the airport infrastructure, as well as expanding airport capacity. The policy element also proposes leveraging available revenues with other revenue to improve the system.

Community Values: it recommends promoting land use decisions that integrate airport use, land use, housing and transportation.

Legislation

The Commission is concerned about the shifting of Aeronautics Account funds to the General Fund. Over the last few years, the Commission focused on the need to establish a stable funding source and for additional funding to allow more capital improvements for general aviation. TACA suggested legislation to make the Aeronautics Account a stable revenue source for needed programs and projects. The suggested legislation would prohibit permanent transfer of funds from the Aeronautics Account to the General Fund. All transfers would be treated as loans to be repaid with interest at a specified future date.

This year the Commission, acting upon TACA's advice, supported SB 335 (Maldonado). This bill proposed a set-aside \$15 million annually for five years derived from the sales tax on jet fuel, for airport security, safety and capacity grants as discussed in past Commission Annual Reports. (The bill did not address the \$10.8 million in diversions from the Aeronautics Account to the General Fund between 2002 and 2004.) The Senate Transportation Committee passed SB 335. The Senate Appropriations Committee, however, expressed concerns about multiple-year appropriations and held the bill under submission. The Commission in a letter to the author re-iterated its support for a stable aeronautics-funding source. The Commission also suggested that a specified percentage of estimated revenues from sales tax on general aviation jet fuel be dedicated for general aviation capital use rather than a specific dollar amount.

The Commission is also concerned about the impacts from incompatible land use on airports. The Commission, acting upon TACA's advice, supported AB 1358 (Mullin) which requires that a school district or charter school leasing properties or acquiring sites must have the site reviewed by Caltrans Division of Aeronautics. If Caltrans does not support the lease or acquisition, then no state or local funds may be apportioned or expended for the site. The bill was signed by the Governor on September 6, 2005. The bill's passage protects students, promotes comprehensive land use planning, and keeps an airport operating rather than having it close due to surrounding incompatible land uses.

Match Rate Unchanged

The Commission is required by statute annually to establish a local matching rate between 10% and 50% that agencies must meet to receive A&D grants. At its April meeting, the Commission retained the 10% A&D local match requirement that has been in effect since 1995. This action continues to ensure that the maximum number of airports participate in the Aeronautics Program and be consistent with the matching rate required for federal AIP grants. Further, a low match rate does not result in a small number of large grants because statute limits California Aid to Airports Program Acquisition and Development grants to a maximum of \$500,000 per airport per year.

Memorandum

To: Chairman and Commissioners

Date: November 28, 2005

From: Diane C. Eidam

Ref No: 3.15 (b)
ACTION

Ref: Upcoming Issues in the Aeronautics Program

Issue: Should the Commission accept its Technical Advisory Committee On Aeronautics (TACA) report on upcoming issues in the Commission's 2005 Annual Report?

Recommendation: Staff recommends that the Commission accept the attached TACA report on upcoming issues for inclusion in the Commission's 2005 Annual Report.

Background: If California is to remain competitive in the global economy, its aviation system must:

- be improved to facilitate significant growth in air passenger and cargo movement,
- provide access for and fully integrate increasing business and corporate aviation,
- ensure mobility around airports,
- mitigate the adverse community impacts of aviation, and
- continue a high quality of life for our citizens by integrating land use, transportation and housing.

California cannot meet these goals for its aviation system if it continues to leave aviation decision-making to the vagaries of local politics and priorities alone. The State should take responsibility—in cooperation with local, regional, and federal agencies—for providing the leadership and resources needed to develop the aviation system essential to our economy in the 21st Century. A continuing assessment of the state role in aviation is needed to ensure that California remains competitive.

Summary of TACA Recommendations: TACA recommends that the Commission add to its annual report the upcoming issues identified in the attached TACA report and summarized below:

TACA recommends that the Commission recommend to the Legislature and the Administration that they act to address state aviation system needs through legislation that would:

- Provide a stable funding source of \$15 million per year from the jet fuel sales tax for the Aeronautics Account, to be programmed and allocated by the Commission to publicly owned general aviation airports and air carrier public use airports for airport security, safety, capacity needs and comprehensive land use compatibility plans.

TACA recommends that the Commission direct TACA to work in 2006 with representatives of the Business, Transportation and Housing Agency and the Department to:

- identify potential roles and policies for the state in developing California's aviation system.
- clearly identify the needs that must be addressed from the May 2004 Transportation Security Administration Security Guidelines for General Aviation Airports. It is likely that the cities and

counties, owners of nearly all of California's 224 public-use general aviation airports, will seek state funds to improve airport security.

- support appropriate legislative proposals that would:
 - (1) increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants, to insure that California receives the maximum amount of federal funding and uses state funds effectively.
 - (2) make the transfer \$10.8 million from the Aeronautics Account to the General Fund in 2002-2003 and 2003-2004 be a loan that will be repaid by a specific fiscal year(s); and
 - (3) dedicate the Aeronautics Account revenues derived from general aviation to general aviation purposes.
 - (4) amend current statute to allow local agencies to request Commission approval for an agency to use its own funds to advance fund the required match for Federal Airport Improvement Program grant with the promise for later repayment.
- authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation departments to promote the use of a larger number of California's airports and use more efficiently the existing system capacity. Existing and newly upgraded facilities often are not used to their potential because of the tendencies that companies like people develop. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations.

Attachment

ISSUES FOR 2006

Outlook for the State Aeronautics Program

Introduction:

The rapidly expanding role of aviation in moving people and goods in the global economy requires the State to act proactively to position itself as practical and accessible place for commercial and business aviation use. California's economic future is inextricably linked to providing the transportation infrastructure that will connect all areas of the State to the global economic system. If California is to remain competitive in the global economy, its aviation system must:

- be improved to facilitate significant growth in air passenger and cargo movement,
- provide access for and fully integrate increasing business and corporate aviation,
- ensure mobility around airports,
- mitigate the adverse community impacts of aviation, and
- continue a high quality of life for our citizens by integrating land use, transportation and housing.

California cannot meet these goals for its aviation system if it continues to leave aviation decision-making to the vagaries of local politics and priorities alone. The State should take responsibility—in cooperation with local, regional, and federal agencies—for providing the leadership and resources needed to develop the aviation system essential to our economy in the 21st Century. A continuing assessment of the state role in aviation is needed to ensure that California remains competitive.

Aviation Planning

The policy element of the California Aviation System Plan (CASP) defines the State's continuous aviation system planning process. It defines the roles of federal, State, regional and local participants in the process. The policy element also covers issues affecting aviation and its relationship with other modes and defines the policies and implementing actions for guiding Caltrans Division of Aeronautics activities and CASP development, including funding priorities for general aviation and air carrier public use airports in California.

Caltrans' role is planning and assisting the infrastructure and capacity development and maintenance of the airport system, and the funding limitations that restrict the Caltrans role continue to be issues emphasized in the current Policy Element. Options for increased funding of the State aviation program have been discussed for years. Last year the Legislature acted upon the Commission's advice and sponsored a bill to appropriate \$15 million annually for five years for capital improvements. However, the bill did not advance beyond the appropriations committee, which expressed concerns about reducing its annual legislative oversight role. The Senate Housing and Transportation Committee, however, supported a policy that funding for State Aeronautics Programs should increase and that the funds should be derived from aviation sources, such as the existing sales tax on general aviation jet fuel.

The Commission's role is to provide policy direction to Caltrans in the development of the aeronautics plans and programs, adopt the CASP and its various elements, program projects in the Aeronautics Program, and allocate funds.

Existing State Aviation Funding

Annual revenue deposited in the State Aeronautics Account in recent years is approximately \$7.25 million. The Aeronautics Account is the sole State source of funding for the Division of Aeronautics and the programs it administers. The revenue sources are an 18-cent per gallon motor vehicle fuel excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Air carrier and military aircraft and aviation manufacturing are exempt from the two-cent per gallon excise tax on jet fuel.

The latest available data show that state and local governments collect about \$215 million in tax revenues from aviation annually, and that only about \$8 million of that is directed to address aviation needs. The tax revenues not applied to aviation include about \$168 million in sales tax on jet fuel, \$10 million in sales tax on general aviation aircraft, and \$30 million in property tax. If the Legislature were to establish a set percentage of these revenues towards aviation needs, a stable baseline of funding could be established. For example, if 7% of the \$215 million in tax revenues from aeronautics were directed on annual towards aeronautics, about \$15 million would be directed annually to aeronautics. California could make significant progress in implementing state priorities for increasing airport capacity and safety, security, enhancing air passenger mobility, improving air cargo efficiency, and mitigating the impacts of airport operations on local communities.

The Commission has long supported increasing state funding to develop an integrated system of airports that adequately meets the demands of California's economy. The events of September 11, 2001 emphasized the critical role aviation plays in our economy, and those events have increased the need for investment in security measures to keep the aviation system operating. At a minimum general aviation airports and air carrier public use airports should be funded to develop security plans and implement basic security measures. The Commission supports redirecting state sales tax revenues from the sale of jet fuel to fund state aviation programs. These tax revenues are a "user fee" paid by the aviation industry and users, in the same way that sales tax revenues on gasoline and diesel fuel, currently directed to highway and transit program funding, are user fees on drivers.

Continuing Aeronautics Issues

The Commission, based on proposals from its Technical Advisory Committee on Aeronautics (TACA), recommends that the Legislature and the Administration act to address state aviation system needs through legislation that would:

- Provide a stable funding source of \$15 million per year from the jet fuel sales tax for the Aeronautics Account, to be programmed and allocated by the Commission to publicly owned general aviation airports and air carrier public use airports for airport security, safety, capacity needs and comprehensive land use compatibility plans.

At the Commission's direction, TACA will work in 2006 with representatives of the Business, Transportation and Housing Agency and the Department to:

- identify potential roles and policies for the state in developing California's aviation system.
- clearly identify the needs that must be addressed from the May 2004 Transportation Security Administration Security Guidelines for General Aviation Airports. It is likely that the cities and counties, owners of nearly all of California's 224 public-use general aviation airports, will seek state funds to improve airport security.
- support appropriate legislative proposals that would:

- (1) increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants, to insure that California receives the maximum amount of federal funding and uses state funds effectively.
 - (2) make the transfer \$10.8 million from the Aeronautics Account to the General Fund in 2002-2003 and 2003-2004 be a loan that will be repaid by a specific fiscal year(s); and
 - (3) dedicate the Aeronautics Account revenues derived from general aviation to general aviation purposes.
 - (5) amend current statute to allow local agencies to request Commission approval for an agency to use its own funds to advance fund the required match for Federal Airport Improvement Program grant with the promise for later repayment.
- authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation departments to promote the use of a larger number of California's airports and use more efficiently the existing system capacity. Existing and newly upgraded facilities often are not used to their potential because of the tendencies that companies like people develop. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations.